

THE COLLEGE OF CHARLESTON
CHARLESTON, SOUTH CAROLINA



COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2000

**College of Charleston
Comprehensive Annual Financial Report**

Financial Section

State of South Carolina



Office of the State Auditor

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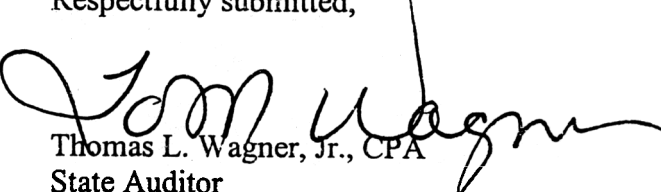
November 22, 2000

The Honorable James H. Hodges, Governor
and
Members of the Board of Trustees
College of Charleston
Charleston, South Carolina

This report on the audit of the financial statements of the College of Charleston for the fiscal year ended June 30, 2000, was issued by Rogers & Laban, PA, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/trb



ROGERS & LABAN, PA

CERTIFIED PUBLIC ACCOUNTANTS AND FINANCIAL CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Mr. Thomas L. Wagner, Jr., CPA
State Auditor
State of South Carolina
Columbia, South Carolina

We have audited the accompanying basic financial statements of the College of Charleston (the College) as of June 30, 2000, and for the year then ended as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, the accompanying basic financial statements of the College are intended to present the financial position, changes in fund balances and current funds revenues, expenditures, and other changes of only that portion of the funds of the State of South Carolina financial reporting entity that is attributable to the transactions of the College, an institution of the State of South Carolina. These financial statements do not include other agencies, institutions, departments, or component units of the State of South Carolina primary government.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the College at June 30, 2000, and the changes in fund balances and current funds revenues, expenditures, and other changes and the results of operations and cash flows of its component unit for the year then ended in conformity with generally accepted accounting principles.

These financial statements exclude the related parties described in Note 18 from the reporting entity because the College is not financially accountable for this entity. As part of its affiliated organizations project, the Governmental Accounting Standards Board (GASB) is currently studying other circumstances under which related entities that do not meet the financial accountability criteria would be included in the financial reporting entity.

As discussed in Note 23, effective July 1, 1999, the College implemented accounting changes regarding functional category classification of certain expenditures and the revenue classification for amounts received from private gifts and non-governmental sources and began capitalizing internal-use computer software costs.

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The information presented in the Introductory and Statistical Sections is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied to the audit of the financial statements and, accordingly, we express no opinion on it.

Rogers & Latham, P.A.

October 12, 2000

COLLEGE OF CHARLESTON BALANCE SHEET

June 30, 2000

with totals as of June 30, 1999

	<u>Current Funds</u>		<u>Loan Funds</u>	<u>Endowment Fund</u>
	<u>Unrestricted</u>	<u>Restricted</u>		
ASSETS				
Cash and cash equivalents	\$ 13,787,240	\$	\$ 341,141	\$ 98,763
Accounts receivable, net of provision for doubtful accounts \$150,000	2,213,669			
Grants and contracts receivable		642,192		
Private gifts receivable				
Interest/investment and endowment income receivable	67,619	1,966	245	
Prepaid items	864,241			
Inventories	1,983,766			
Student loans receivable			2,081,303	
Capital improvement bonds proceeds receivable				
Due from Restricted Current Funds	307,039			
Land and improvements				
Buildings and improvements				
Equipment				
Library books and materials				
Computer software				
Less accumulated depreciation				
Construction in progress				
TOTAL ASSETS	<u>\$ 19,223,574</u>	<u>\$ 644,158</u>	<u>\$ 2,422,689</u>	<u>\$ 98,763</u>
LIABILITIES & FUND BALANCES				
Accounts payable and accrued expenses	\$ 3,081,011	\$ 139,220	\$ 6,078	\$
Accrued payroll and related liabilities	3,142,344	47,440		
Retainages payable				
Deferred and unearned student revenues	2,142,379			
Student deposits	959,946			
Compensated absences payable and related liabilities	2,371,561			
Due to Unrestricted Current Funds		307,039		
Deposits held for others				
Accrued interest payable				
Obligation under capital lease				
Bonds payable				
Fund balances	7,526,333	150,459	2,416,611	98,763
Net investment in plant				
TOTAL LIABILITIES and FUND BALANCES	<u>\$ 19,223,574</u>	<u>\$ 644,158</u>	<u>\$ 2,422,689</u>	<u>\$ 98,763</u>

See accompanying Notes to Financial Statements.

Plant Funds			Agency Funds	Totals (Memorandum Only)	
Unexpended		Investment in Plant		2000	1999
\$ 20,690,348	\$ 1,079,621	\$	\$ 136,819	\$ 36,133,932	\$ 34,535,839
			6,468	2,220,137	3,019,686
				642,192	366,751
6,259,565				6,259,565	559,565
125,675	10,071			205,576	120,879
			2,100	866,341	689,175
				1,983,766	1,594,388
				2,081,303	2,052,459
27,824,127				27,824,127	12,878,236
				307,039	80,374
		21,893,596		21,893,596	21,893,596
		107,965,360		107,965,360	100,905,900
		6,780,203		6,780,203	6,415,166
		17,245,383		17,245,383	16,154,621
		224,246		224,246	
		(22,425)		(22,425)	
		<u>1,667,978</u>		<u>1,667,978</u>	<u>2,512,752</u>
<u>\$ 54,899,715</u>	<u>\$ 1,089,692</u>	<u>\$ 155,754,341</u>	<u>\$ 145,387</u>	<u>\$ 234,278,319</u>	<u>\$ 203,779,387</u>
\$ 543,514	\$ 1,363	\$	\$ 45,793	\$ 3,816,979	\$ 3,238,572
			15,939	3,205,723	2,834,075
194,956				194,956	7,312
				2,142,379	2,224,141
				959,946	1,099,692
				2,371,561	2,358,245
				307,039	80,374
			83,655	83,655	97,627
	333,730			333,730	354,739
		56,156		56,156	134,243
		19,385,000		19,385,000	20,635,000
54,161,245	754,599			65,108,010	43,602,575
		<u>136,313,185</u>		<u>136,313,185</u>	<u>127,112,792</u>
<u>\$ 54,899,715</u>	<u>\$ 1,089,692</u>	<u>\$ 155,754,341</u>	<u>\$ 145,387</u>	<u>\$ 234,278,319</u>	<u>\$ 203,779,387</u>

COLLEGE OF CHARLESTON

STATEMENT OF CHANGES IN FUND BALANCES

For the year ended June 30, 2000
with totals for the year ended June 30, 1999

	Current Funds		Loan Funds
	Unrestricted	Restricted	
REVENUES AND OTHER ADDITIONS			
Unrestricted current funds revenues	\$ 81,824,324	\$	\$
Auxiliary enterprises revenues	20,602,731		
State appropriations - restricted		4,943,305	
U.S. Government advances			29,149
Federal grants and contracts-restricted		33,149,297	
State grants and contracts-restricted		714,681	
Local grants and contracts-restricted		9,600	
Non-governmental grants and contracts-restricted		307,064	
Private gifts		998,597	
Interest and other on loans receivable			45,581
Reimbursements for cancelled loans			89,383
Interest/investment income-restricted			782
Endowment income<loss>-restricted		8,207	
Retirement of indebtedness (including \$55,811 capital lease payments charged to current fund expenditures)			
Capital improvement bond proceeds			
Expended for plant facilities (including \$2,412,466 charged to current fund expenditures)			
Capital lease cancellation credit			
TOTAL REVENUES AND OTHER ADDITIONS	102,427,055	40,130,751	164,895
EXPENDITURES AND OTHER DEDUCTIONS			
Educational and general expenditures	75,091,273	39,858,530	
Auxiliary enterprises expenditures	18,164,730		
Indirect cost remitted to the State General Fund	17,321		
Indirect cost recovered		289,918	
Loans assigned, cancelled, written off			123,700
Administration and collection cost			18,384
Expended for capital projects (including non-capitalized expenditures of \$532,391)			
Capital lease addition			
Disposals of property and equipment			
Retirement of indebtedness-bonds			
Amortization of computer software costs			
Interest and other charges on indebtedness			
Refund of prior year private gift			
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	93,273,324	40,148,448	142,084
TRANSFERS AMONG FUNDS-ADDITIONS(DEDUCTIONS)			
<i>Mandatory Transfers:</i>			
Principal and interest	(2,792,244)		
Loan fund matching contribution	(9,716)		9,716
<i>Non-Mandatory Transfers:</i>			
Unrestricted Current Funds to Unexpended Plant Fund	(6,373,641)		
Retirement of Indebtedness Plant Fund to Unexpended Plant Fund			
TOTAL TRANSFERS AMONG FUNDS-ADDITIONS(DEDUCTIONS)	(9,175,601)	-	9,716
NET INCREASE (DECREASE) IN FUND BALANCES	(21,870)	(17,697)	32,527
FUND BALANCES, BEGINNING OF YEAR	7,548,203	168,156	2,384,084
FUND BALANCES, END OF YEAR	\$ 7,526,333	\$ 150,459	\$ 2,416,611

Endowment Fund	Plant Funds			Totals	
	Unexpended	Retirement of Indebtedness	Investment in Plant	(Memorandum Only)	
				2000	1999(Restated)
\$		\$	\$	\$ 81,824,324	\$ 75,166,359
				20,602,731	19,967,997
				4,943,305	4,614,606
				29,149	39,786
	25,000	13,462		33,187,759	31,111,867
	20,000			734,681	839,140
				9,600	19,193
				307,064	224,444
	6,000,000		28,791	7,027,388	1,700,408
				45,581	66,637
				89,383	116,452
	360,366	163,534		524,682	549,443
(2,246)				5,961	7,500
			1,305,811	1,305,811	1,439,703
	15,000,000			15,000,000	
			8,627,153	8,627,153	15,103,381
			22,277	22,277	
(2,246)	21,405,366	176,996	9,984,032	174,286,849	150,966,916
				114,949,803	105,642,025
				18,164,730	16,808,787
				17,321	33,213
				289,918	248,313
				123,700	187,540
				18,384	13,957
	6,747,078			6,747,078	13,583,781
			761,214		153,807
		1,250,000		761,214	1,441,926
			22,425	1,250,000	1,380,000
		1,141,411		22,425	
	95,037			1,141,411	1,206,382
				95,037	
-	6,842,115	2,391,411	783,639	143,581,021	140,699,731
		2,792,244			
	6,373,641				
	580,273	(580,273)			
-	6,953,914	2,211,971	-	-	-
(2,246)	21,517,165	(2,444)	9,200,393	30,705,828	10,267,185
101,009	32,644,080	757,043	127,112,792	170,715,367	160,448,182
\$ 98,763	\$ 54,161,245	\$ 754,599	\$ 136,313,185	\$ 201,421,195	\$ 170,715,367

COLLEGE OF CHARLESTON

STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES

For the year ended June 30, 2000
with totals for the year ended June 30, 1999

REVENUES:

- Tuition and related fees
- State appropriations
- Federal grants and contracts
- State grants and contracts
- Local grants and contracts
- Non-governmental grants and contracts - restricted
- Private gifts
- Private gifts for auxiliaries
- Educational activities revenues
- Student organizations generated revenues
- Auxiliary enterprises interest/investment income
- Sales and services of auxiliary enterprises
- Endowment income
- Other sources

TOTAL CURRENT REVENUES

EXPENDITURES AND MANDATORY TRANSFERS:

- Educational and general:
 - Instruction
 - Research
 - Public service
 - Academic support-library
 - Academic support-other
 - Student services
 - Institutional support
 - Operation and maintenance-physical plant
 - Student aid and scholarships

TOTAL EDUCATIONAL AND GENERAL EXPENDITURES

Mandatory transfers for:

- Principal and interest
- Loan fund matching contribution

TOTAL EDUCATIONAL AND GENERAL

Auxiliary enterprises:

- Expenditures
- Mandatory transfers for principal and interest

TOTAL AUXILIARY ENTERPRISES

TOTAL EXPENDITURES AND MANDATORY TRANSFERS

EXCESS REVENUES OVER EXPENDITURES AND MANDATORY TRANSFERS

OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS):

- Non-mandatory transfers to Unexpanded Plant Fund
- Indirect cost remitted to State General Fund
- Excess of restricted receipts over (under) transfers to revenues

NET INCREASE (DECREASE) IN FUND BALANCES

See accompanying Notes to Financial Statements.

	2000		Totals
Unrestricted	Restricted	Totals	1999(Restated)
\$ 47,313,630	\$	\$ 47,313,630	\$ 43,621,803
31,611,470	4,943,305	36,554,775	33,416,735
371,816	32,863,321	33,235,137	31,216,808
	663,089	663,089	780,057
	8,991	8,991	19,134
	294,539	294,539	224,444
	1,079,044	1,079,044	1,014,946
200,000		200,000	195,000
533,466		533,466	505,685
686,008		686,008	706,003
249,133		249,133	199,183
20,153,598		20,153,598	19,573,814
	6,241	6,241	7,500
1,307,934		1,307,934	1,232,813
<u>102,427,055</u>	<u>39,858,530</u>	<u>142,285,585</u>	<u>132,713,925</u>
37,958,262	1,164,820	39,123,082	34,902,822
897,897	2,110,354	3,008,251	2,704,854
1,010,102	469,451	1,479,553	1,212,387
3,664,619		3,664,619	3,423,866
4,946,277		4,946,277	4,787,831
4,939,977		4,939,977	4,617,107
8,301,313		8,301,313	7,265,708
11,050,629		11,050,629	10,542,974
2,322,197	36,113,905	38,436,102	36,184,476
<u>75,091,273</u>	<u>39,858,530</u>	<u>114,949,803</u>	<u>105,642,025</u>
1,095,631		1,095,631	1,024,302
9,716		9,716	13,261
<u>76,196,620</u>	<u>39,858,530</u>	<u>116,055,150</u>	<u>106,679,588</u>
18,164,730		18,164,730	16,808,787
1,696,613		1,696,613	1,698,845
<u>19,861,343</u>		<u>19,861,343</u>	<u>18,507,632</u>
96,057,963	39,858,530	135,916,493	125,187,220
6,369,092	-	6,369,092	7,526,705
(6,373,641)		(6,373,641)	(7,991,921)
(17,321)		(17,321)	(33,213)
	(17,697)	(17,697)	(56,844)
<u>\$ (21,870)</u>	<u>\$ (17,697)</u>	<u>\$ (39,567)</u>	<u>\$ (555,273)</u>

COLLEGE OF CHARLESTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2000

**NOTE 1 – SUMMARY OF
SIGNIFICANT ACCOUNTING
POLICIES**

The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for generally accepted accounting principles (GAAP) for all state governmental entities including colleges and universities. The financial statements of the College have been prepared in accordance with GAAP, as outlined in Governmental Accounting Standards Board (GASB) Statement No. 15. That statement permits the entity to use the American Institute of Certified Public Accountants (AICPA) College Guide model. The AICPA College Guide model is the accounting and financial reporting guidance as defined by the AICPA Industry Audit Guide, *Audits of Colleges and Universities*, as amended by the AICPA Statement of Position (SOP) 74-8, *Financial Accounting and Reporting by Colleges and Universities*, as modified by applicable Financial Accounting Standards Board (FASB) pronouncements issued through November 30, 1999, and as modified by all applicable GASB pronouncements. A summary of significant accounting policies follows:

Reporting Entity

The core of the financial reporting entity is the primary government which has a separately elected governing body. As required by generally accepted accounting principles, the financial reporting entity includes both the primary government and all of its component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In turn component units may have component units.

An organization other than a primary government may serve as a nucleus for a reporting entity when it issues separate financial statements. That organization is identified herein as a primary entity.

A primary government or entity is financially accountable if its officials or appointees appoint a voting majority of an organization's governing

body including situations in which the voting majority consists of the primary entity's officials serving as required by law (e.g., employees who serve in an ex officio capacity on the component unit's board are considered appointments by the primary entity) and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary entity. The primary entity also may be financially accountable if an organization is fiscally dependent on it even if it does not appoint a voting majority of the board. An organization is fiscally dependent on the primary government or entity that holds one or more of the following powers:

- (1) Determines its budget without another government's having the authority to approve or modify that budget.
- (2) Levies taxes or sets rates or charges without approval by another government.
- (3) Issues bonded debt without approval by another government.

The organization is fiscally independent if it holds all three of those powers. Based on these criteria, the College has determined it is not a component of another entity and it has no component units. This financial reporting entity is the College, a primary entity.

Primary Entity

The College is a State-supported coeducational institution of higher education. The College is granted an annual appropriation for operating purposes as authorized by the South Carolina General Assembly. The appropriation as enacted becomes the legal operating budget for the institution. The Appropriation Act authorizes expenditures from funds appropriated from the General Fund of the State and authorizes expenditures of total operating funds. The laws of the State and the policies and procedures specified by the State for State agencies and institutions are applicable to the activities of the College. The College was established as an institution of higher education by Section 59-101-20 of the Code of Laws of South Carolina. The College is part of the primary government of the State of South Carolina and its funds are reported in the State's higher education funds in the Comprehensive Annual Financial Report of the State of South Carolina. Generally all State departments, agencies, and colleges are

included in the State's reporting entity. These entities are financially accountable to and fiscally dependent on the State. Although the State-supported universities operate somewhat autonomously, they lack full corporate powers. In addition, the Governor and/or the General Assembly appoints most of their board members and budgets a significant portion of their funds.

The Board of Trustees, whose members are appointed by the Governor with the advice and consent of the Senate, is the governing body of the College. The Board administers, has jurisdiction over, and is responsible for the management of the College.

The accompanying financial statements present the financial position, changes in fund balances, and current funds revenues, expenditures, and other changes of only that portion of the funds of the State of South Carolina that is attributable to the transactions of the College.

Basis of Accounting

The financial statements of the College have been prepared on the accrual basis except that, in accordance with accounting practices customarily followed by governmental educational institutions, no provision is made for depreciation of physical plant assets, interest on loans to students is recorded when collected, and revenue from tuition and student fees for summer sessions is reported totally within the fiscal year in which the session is primarily conducted. Otherwise, revenues are reported in the accounting period when earned and become measurable and expenditures when materials or services are received or when incurred, if measurable. Unrestricted state appropriations are recognized as revenue when received or made available. The statement of current funds revenues, expenditures, and other changes is a statement of financial activities of current funds related to the current reporting period. The statement does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenue and expenses.

Transfers are amounts moved between fund groups/subfund groups to be used for the objectives of the recipient fund. Mandatory transfers are limited to those arising out of binding legal arrangements related to financing the educational plant (e.g., construction, repairs, debt amortization, and interest); agreements to

match gifts and grants; or required matching of certain federal loan programs. All other interfund transfers are reported as nonmandatory transfers. Non-mandatory transfers are made at the discretion of the governing body for various purposes. They may include the retransfer of unexpended resources to the fund which initially provided the monies.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of alterations and renovations and purchases and normal replacement of movable equipment, library materials and books and computer software developed or obtained for internal use; (2) mandatory transfers in the case of required provisions; and (3) transfers of a non-mandatory nature in all other cases.

Fund Accounting – College Funds

Fund accounting is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives in accordance with limitations and restrictions imposed on sources outside the institution or in accordance with directions issued by the governing board. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups and subgroups. Accordingly, all financial transactions have been recorded and reported by fund group and subgroup.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated to specific purposes by action of the governing board. Externally restricted funds may be utilized only in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds, over which the governing board retains full control to use in achieving any of its institutional purposes.

All realized gains and losses arising from the sale, collection, or other disposition of investments and other noncash assets are accounted for in the fund that owns such assets. Ordinary income derived from investments, receivables, and the like is accounted for in the fund owning such assets, except for income derived from investments of endowment funds

which is accounted for in the fund to which it is restricted. Unexpended income on endowment fund assets remain in the fund in which the income was initially reported. All other unrestricted revenues are accounted for in unrestricted current funds. Restricted gifts, grants, appropriations, endowment income, and other restricted resources are accounted for in the appropriate restricted funds.

The *Current Funds* group includes those economic resources which are expendable for operating purposes to perform the primary missions of the College, which are instruction, research, and public service. For a more meaningful disclosure, the current funds are divided into two subgroups: unrestricted and restricted. Separate accounts are maintained for auxiliary enterprises operations. Current funds are considered unrestricted unless the restrictions imposed by the donor or other external agency are so specific that they substantially reduce the College's flexibility in their utilization. Unrestricted gifts are recognized as revenue when received and other unrestricted resources are recorded as revenue when earned. Receipts that are restricted are recorded initially as additions to restricted fund balances and recognized as revenue to the extent that such funds are expended for the restricted purposes during the current fiscal year and met all related requirements. Revenue from earmarked student activity fees for student clubs and groups are reported in the unrestricted current fund.

Current Funds Auxiliary Enterprises are essentially self-supporting business entities and activities that exist for the purpose of furnishing goods and services primarily to students, faculty, staff, or departments and for which charges are made that directly relate to such goods and services. Revenue and expenditures are reported separately as unrestricted current funds. Assets, liabilities, and fund balances are combined with other unrestricted current funds for reporting purposes; however, each separate enterprise maintains its own assets, liabilities, and fund balance. Auxiliary enterprises activities include athletics, housing, bookstore, food services, student health services, parking, rentals, and vending machine operations.

The *Loan Funds* group accounts for the resources available for loans to students from donors, government agencies, and mandatory

institutional matching grants. Loan funds have been divided into those provided by the federal government and those provided by other sources. Expenditures include costs of loan collections, loan cancellations, and administrative costs under the federal loan programs. To the extent that current funds are used to meet required provisions for grant matching, they are accounted for as mandatory transfers.

The *Endowment Fund* is a singular endowment held by the State Treasurer of South Carolina. Endowment funds are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and the income only be utilized for the restricted purpose. The term "principal" is construed to include the original value of an endowment and subsequent additions and realized and unrealized gains/losses attributable to investment transactions. Other endowments are held by the College of Charleston Foundation for the benefit of the College. These endowments include term, quasi-endowment, and pure endowment funds and are subject to the restrictions imposed by various donors. The College of Charleston Foundation is reported herein (Note 18) as a related party.

The *Plant Funds* group consists of three self-balancing subgroups: (1) unexpended plant funds, (2) funds for retirement of indebtedness, and (3) investment in plant. The unexpended plant fund subgroup accounts for the resources derived from various sources to finance the acquisition of long-life assets and to provide for routine renewal and replacement of existing plant assets and debt related to unexpended resources are included in this subgroup. Receipts legally designated solely for plant improvements or renewals and replacements are recorded directly in the College's plant funds as revenue. The retirement of indebtedness subgroup accounts for resources that are specifically assessed and/or specifically accumulated for interest and principal payments, debt service reserve funds, other debt service charges related to plant fund indebtedness (except for capital lease obligations), and federal interest subsidies. The investment in plant subgroup accounts for all long-life assets in the service of the College, all construction in progress, and related debt for funds borrowed and expended for the acquisition of plant assets included in this fund subgroup. Net investment

in plant represents the excess of the carrying value of plant assets over the related liabilities.

The *Agency Funds* group accounts for the assets held on behalf of others in the capacity of custodian or fiscal agent; consequently, transactions relating to agency funds do not affect the operating statements of the College. They include the accounts of students, related student and professional organizations, and other groups directly associated with the College.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenditures/expenses and affect disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Indirect Cost Recoveries

The College records restricted current funds revenue for governmental grants and contracts in amounts equal to direct costs incurred. The College reports as unrestricted revenue recoveries of indirect costs applicable to sponsored programs at negotiated fixed rates for each year. The recoveries are also recorded as additions and deductions of restricted current funds. Indirect cost recoveries must be remitted to the State General Fund except those received under research and student aid grants which may be retained by the College. Also, federal grants and contracts whose annual award is two hundred thousand dollars or less are exempted from the requirement to remit recoveries to the State General Fund. For fiscal year 2000, the College remitted \$17,321 of indirect cost to the State General Fund.

Compensated Absences

Generally all permanent full-time State employees and certain part-time employees scheduled to work at least one-half of the agency's workweek are entitled to accrue and carry forward at calendar year-end maximums of 180 days of sick leave and of 45 days annual vacation leave, except that faculty members do not accrue annual leave. Upon termination of State employment, employees are entitled to be paid for accumulated unused annual vacation

leave up to the maximum, but are not entitled to any payment for unused sick leave. The compensated absences liability includes accrued annual leave earned for which the employees are entitled to paid time off or payment at termination. The College calculates the compensated absences liability based on recorded balances of unused leave for which the employer expects to compensate employees through paid time-off or cash payments at termination. That liability is inventoried at fiscal year-end current salary costs and the cost of the salary-related benefit payments and is recorded in unrestricted current funds. The net change in the liability is recorded in the current year in the applicable current funds functional expenditure categories.

Investment in Plant

Physical plant assets and equipment, except for those assets acquired prior to July 1, 1970 or under capital leases, are stated at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. Plant assets and equipment acquired prior to July 1, 1970 are stated at historical cost when determinable or at estimated historical cost. Capital assets purchased through installment purchase contracts are capitalized in the investment in plant funds subgroup in the year of acquisition at their total cost, excluding interest charges. Plant assets and equipment acquired under capital leases are stated at the lower of the present value of minimum lease payments, including the down payment, at the beginning of the lease term or fair value at the inception of the lease. Payments of principal, interest and other costs on such installment contracts are recorded in the applicable educational and general expenditure categories of the current funds group as the installments are paid.

Infrastructure assets include streets, sidewalks, parking lots, drainage systems, lighting systems, utility systems, and similar assets that are immovable and of value only to the College are reported as land improvements and valued at cost.

Construction expenditures are recorded at cost in the unexpended plant funds when incurred and simultaneously capitalized at total expenditures less noncapitalized costs as construction in progress in the investment in plant funds subgroup. Upon completion of a project, the costs are capitalized in the

appropriate asset accounts in investment in plant.

Library books, periodicals, microfilms, and other library materials on computer data storage devices are recorded at cost when purchased or fair market value at the date of donation.

Effective beginning fiscal year 2000, computer software costs to be capitalized include the external direct costs of materials and services consumed in developing or obtaining internal-use computer software, payroll and payroll-related costs for employees who are directly associated with and who devote time to the internal-use computer software project; interest costs incurred when developing computer software; and costs to develop or obtain software that allows for access or conversion of old data by new systems. These costs are incurred during the application development stage. The costs of computer software developed or obtained for internal use are amortized on a straight-line basis over an estimated useful life of five years. See Note 23 regarding the related accounting change.

Current funds expenditures for acquisition of capital assets are simultaneously recorded in both the current funds expenditure accounts of the various operating departments and in the investment in plant funds subgroup.

The College capitalizes major additions and renovations to plant assets; qualifying equipment and software with a unit value in excess of \$5,000 and a useful life in excess of one year; and all library books and materials regardless of cost.

When plant assets and equipment are sold, retired, or otherwise disposed of, the carrying value at cost, estimated historical cost, or fair market value at date of gift, where applicable, is removed from the investment in plant subgroup. Library books and materials are disposed of when they no longer serve the needs of the College at amounts based on the average cost at the beginning of each fiscal year of similar library books and materials. When capitalized internal use software is retired, the unamortized balance is removed. In accordance with practices followed by governmental educational institutions, depreciation on physical plant assets and equipment is not recorded.

Capitalized Interest

The College capitalizes as a component of construction in progress interest cost in excess of earnings on debt associated with the capital projects. Therefore asset values in the investment in plant subgroup do include such interest costs. There was no capitalized interest for the current fiscal year.

Information Technology Costs

Non-capitalized information technology (IT) costs related to the College's mission of instruction, research and public service are budgeted and reported in the academic support functional expenditure category. All other non-capitalized IT costs are budgeted and the related costs are reported in the institutional support functional expenditure category.

Capitalized IT costs are reported in the applicable functional expenditure categories in the unrestricted current funds.

Deferred and Unearned Student Revenues

In unrestricted current funds, deferred and unearned revenues consist of receipts collected in advance which have not been earned. These revenues include primarily student tuition and fees and room and board collected in advance for the summer and fall academic terms. Revenues are recognized in the period in which the sessions are predominantly conducted and services are provided or the semester for which the fee is applicable and earned.

Student Deposits

Student deposits represent dormitory room deposits, security deposits for possible room damage and key loss, other deposits, and student fee refunds. Student deposits are recognized as revenue during the semester for which the fee is applicable and earned when the deposit is nonrefundable to the student under the forfeit terms of agreement.

Fee Waivers

Student tuition and fees revenues include all such amounts assessed against students (net of refunds) for educational purposes even in those cases in which there is no intention of collection. These revenue amounts are offset by equal expenditures. The amounts of such remissions or waivers are recorded and classified as student aid and scholarships expenditures or as

staff benefits in the applicable current funds functional expenditure categories. State law provides that educational fee waivers may be offered to no more than two percent of the undergraduate student body.

Educational Activities Revenue

Revenues from sales and services of educational activities generally consist of amounts received from instructional, laboratory, research, and public service activities that incidentally create goods and services which may be sold to students, faculty, staff, and the general public. The College receives such revenues primarily from the operation of the Early Childhood Development Center and Sottile Auditorium.

Prepaid Items

Expenditures for rental of property, travel and other similar services paid for in the current or prior fiscal years and benefiting more than one accounting period are allocated among accounting periods. For the year ended June 30, 2000, amounts reported in this asset account consist primarily of rent for the sports complex (see Note 6), operational expenditures for the Governor's School, and deposits for library purchases and travel reservations.

Cash and Cash Equivalents

The amounts shown in the financial statements in College funds as "cash and cash equivalents" represent petty cash, cash on deposit in banks, cash on deposit with the State Treasurer, and cash invested in various instruments by the State Treasurer as part of the State's internal cash management pool.

Most State agencies including the College participate in the State's internal cash management pool. Because the cash management pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. The State Treasurer administers the cash management pool. The pool includes some long-term investments such as obligations of the United States and certain agencies of the United States, obligations of the State of South Carolina and certain of its political subdivisions, certificates of deposit, collateralized repurchase agreements, and certain corporate bonds.

The State's internal cash management pool consists of a general deposit account and several special deposit accounts. The State records each fund's equity interest in the general deposit account; however, all earnings on that account are credited to the General Fund of the State. The College records and reports its deposits in the special deposit accounts at fair value. Investments held by the pool are recorded at fair value. Interest earned by the College's special deposit accounts is posted to its account at the end of each month and is retained. Interest earnings are allocated based on the percentage of the College's accumulated daily interest income receivable to the total income receivable of the pool. Reported income includes interest earnings at the stated rate, realized gains/losses, and unrealized gains/losses arising from changes in the fair value on investments held by the pool. Realized gains and losses are allocated daily and are included in the accumulated income receivable. Unrealized gains and losses are allocated at year-end based on the College's percentage ownership in the pool.

For credit risk information pertaining to the State's internal cash management pool, see the cash and deposits disclosures (Note 15).

Some State Treasurer accounts are not included in the State's internal cash management pool because of restrictions on the use of the funds. For those accounts, cash equivalents include investments in short-term, highly liquid securities having an initial maturity of three months or less at the time of acquisition.

For the College's funds not held by the State Treasurer, cash equivalents include three demand deposit accounts.

Rebatable Arbitrage

Arbitrage involves the investment of proceeds from the sale of tax-exempt securities in a taxable investment that yields a higher rate, resulting in income in excess of interest costs. Federal law requires entities to rebate to the government such income on tax-exempt debt issued. Governmental units may avoid the requirement to rebate the "excess" earnings to the federal government under certain circumstances, if they issue no more than \$5 million in total of all such debt in a calendar year

or if they meet specified targets for expenditures of the proceeds and interest earnings thereon. For this purpose, tax-exempt indebtedness includes bonds and certain capital leases and installment purchases. The federal government only requires arbitrage be calculated, reported, and paid every five years or at maturity of the debt, whichever is earlier. However, the potential liability is calculated annually for financial reporting purposes. Arbitrage expenditures are valued using the rebate method by professional firms contracted by the State Treasurer. The expenditure and liability, if any, are recorded in the retirement of indebtedness subgroup and a reserve fund to liquidate the liability is established.

Comparative Amounts and Totals (Memorandum Only) Columns

Amounts in the "Totals" ("Memorandum Only") columns of the balance sheet and the statement of changes in fund balances present an aggregation of financial statement line-items to facilitate financial analysis. Such amounts are not comparable to a consolidation and do not present financial information in conformity with GAAP. Interfund eliminations have not been made in the aggregation of this data except for expenditure reimbursements.

Comparative amounts and totals for the prior year are included to provide a summarized comparison with current year amounts. The prior year totals are not intended to present all of the information necessary for a fair presentation of financial position and operations

in accordance with generally accepted accounting principles.

To enhance comparability, some prior year amounts have been reclassified to conform with the current year financial statement presentation as described in Note 1 and have been restated for the matters discussed in Note 23.

Income Taxes

The College is a political subdivision of the State of South Carolina and is exempt from federal and state income taxes.

NOTE 2 – STATE APPROPRIATIONS

The College is granted an annual appropriation for operating purposes as authorized by the General Assembly of the State of South Carolina. State appropriations are recognized as revenue when received and available. Amounts that are not expended by fiscal year-end lapse and are required to be returned to the General Fund of the State unless the College receives authorization from the General Assembly to carry the funds over to the next year.

The original appropriation is the College's base budget amount presented in the General Funds column of Section 5E of Part 1A of the 1999-2000 Appropriation Act. The following is a reconciliation of the original appropriation as enacted by the General Assembly to state appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2000:

Original Appropriation	\$25,928,107
State Budget and Control Board Allocations:	
Employee Base Pay Increase and Related Employee Benefits (Proviso 63C.10)	808,345
Matching Contributions to 401 (K) Deferred Compensation Plan (Proviso 72.48)	15,956
State Commission on Higher Education Allocations:	
Access and Equity (Proviso 5A.6)	7,521
Performance Funding (Proviso 5A.19)	956,793
Need-Based Student Grants	30,494 (A)
LIFE Scholarships (1998 Act 418)	2,819,031 (A)
STAR Scholarships (EIA Funding)	1,500 (A)
Academic Endowment Incentive Match (Code of Laws 59-118-40)	85,786 (A)
From Supplemental Appropriations of Surplus 1999 State General Fund Revenues (Part IV of the 2000 Appropriation Act) for:	
Access and Equity	24,191
Performance Funding	524,344
Academic Endowment Incentive Match	107,231(A)
From Capital Reserve Fund Appropriations (August 1999 Joint Resolution R201, H3697) for:	
Performance Funding	3,346,213
From Children's Education Endowment Fund for:	
Palmetto Fellows Scholarships	1,167,621 (A)
Need-Based Student Grants	<u>731,642 (A)</u>
Revised Appropriation – Legal Basis	36,554,775
Less: Higher Education Grant/Scholarship Funding Reported In Restricted Current Funds	<u>4,943,305 (A)</u>
Funding Reported in Unrestricted Current Funds	\$31,611,470 =====

Proviso 72.48 of the 1999-2000 Appropriation Act authorized each agency to bring forward unspent State General Fund appropriations from the prior year into the current fiscal year up to a maximum of ten percent of its original appropriation less any appropriation reductions. Agencies which have separate carry-forward authority had to exclude the amount brought forward by such separate authority from their base for purposes of calculating the ten percent carry-forward. Pursuant to this proviso, the College brought forward \$2,754,144.

Proviso 72.44 of the 2000-2001 Appropriation Act authorizes agencies to carry forward unspent appropriations up to a maximum of ten percent with limitations similar to those for the prior year. Pursuant to this proviso, the College carried forward \$2,654,315 to fiscal year 2001.

From supplemental appropriations authorized by Part IV of the 2000 Appropriations Act to the State Commission on Higher Education, the College received \$101,800 to fund certain grants projects. In addition to the appropriations revenue, the College received the following State grants and contracts:

◆ State Department of Education	\$479,071
◆ University of South Carolina	61,721
◆ South Carolina Department of Natural Resources	40,072
◆ South Carolina Arts Commission	21,000
◆ Education Oversight Committee	15,000
◆ Other	16,017

\$714,681 of the revenue from appropriations and State grants and contracts is recorded in the restricted current funds and the remaining \$20,000 is recorded in the unexpended plant fund. The \$20,000 is to be used for installing new windows as part of the Avery renovation project.

NOTE 3 – STATE CAPITAL IMPROVEMENT BONDS

In the current and prior years, the State authorized funds for improvements and expansion of College facilities using the proceeds of State Capital Improvement Bonds. As capital projects are authorized by the State

Budget and Control Board, the bond proceeds are allocated to the projects. When the funds are authorized, the College records the proceeds as revenue in the unexpended plant fund subgroup. These authorized funds can be requested as needed once State authorities have given approval to begin specific projects. The College is not obligated to repay these funds to the State. The total balance receivable for the undrawn portions of the authorizations is reported in the balance sheet as "capital improvement bond proceeds receivable". A summary of the activity in the balances available from these authorizations during the year ended June 30, 2000 follows:

<u>Act</u>	<u>Total Authorized</u>	<u>Amounts Drawn In Prior Years</u>	<u>Amounts Drawn In Fiscal Year Ended June 30, 2000</u>	<u>Balance Receivable June 30, 2000</u>
538 of 1986	\$ 5,900,000	\$ 5,777,775	\$ 44,108	\$ 78,116
522 of 1992	5,978,000	4,821,989	10,000	1,146,011
111 of 1997	12,000,000	400,000		11,600,000
28 of 1999	15,000,000			15,000,000
Totals	\$ 38,878,000	\$ 10,999,764	\$ 54,108	\$ 27,824,127
	=====	=====	=====	=====

The balances are reported in the unexpended plant fund subgroup. All of the balances available at June 30, 2000 are now available to be drawn by the College as needed for construction project expenditures. During fiscal year 2000 no undrawn state capital improvement bond proceeds were deauthorized. The State capital improvement bonds approved for fiscal year 1999-2000 include \$12,000,000 for a physical education center and \$3,000,000 for improvements to the Simons Art Center.

NOTE 4 – PRIVATE GIFTS RECEIVABLE – UNEXPENDED PLANT FUND

The receivable balance of \$6,259,265 in the unexpended plant fund subgroup is due from the College of Charleston Foundation and includes \$6,000,000 from private sources for the construction of the new library and \$259,565 also from private sources for the renovation of the Avery Institute (See Note 18).

NOTE 5 – BONDS PAYABLE

At June 30, 2000, bonds payable consisted of the following liability which is reported in the investment in plant subgroup:

	<u>Interest Rates</u>	<u>Year of Maturity</u>	<u>June 30, 2000 Balances</u>	<u>Fiscal Year 2001 Maturities</u>
Housing and Auxiliary Facilities Revenue Refunding Bonds Series 1992 A	5.10 - 6.125%	2013	\$ 15,200,000	\$ 825,000
Facilities and Improvement Revenue Refunding Bonds Series 1992	5.00 – 5.5%	2007	<u>4,185,000</u>	<u>505,000</u>
Total			<u>\$ 19,385,000</u> =====	<u>\$1,330,000</u> =====

Housing and Auxiliary Facilities Revenue Refunding Bonds, Series 1992A

The College receives a loan subsidy from the U.S. Department of Housing and Urban Development (HUD) in the amount of \$13,462 designated for debt service on the Housing and Auxiliary Facilities Revenue Refunding Bonds Series 1992. The HUD subsidy is recorded as federal grants revenue in the Retirement of Indebtedness fund. These subsidies will continue until the defeased Student Faculty Housing Revenue Bonds are paid by escrow

agent. The various bond indentures restrict the use of particular revenue sources. All housing, cafeteria and parking revenues including any loan subsidies are restricted, up to the amount of annual debt service requirement, for the payment of principal and interest on the Housing and Auxiliary Revenue Refunding Bond Series 1992. Interest is paid semi-annually and the principal annually. These debt service requirements are funded twice yearly and are reported as Mandatory Transfers from the Auxiliary Enterprise activities supporting the Series 1992 bonds which are as follows:

<u>Activity</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Mandatory Transfers</u>	
			<u>Amount</u>	<u>Percent</u>
Housing	\$ 6,611,161	\$ 4,438,234	\$ 1,526,951	90.0
Cafeteria	4,429,187	4,357,320	98,404	5.8
Parking	1,056,030	951,083	71,258	4.2

The College purchased a bond insurance policy in favor of the bond Trustee for the Series 1992A Bonds. The insurance covers payments

of principal and interest for any period where fees would not be sufficient to pay the debt service payment. Accordingly, there is no reserve requirement for these bonds.

Beginning on or after October 1, 2002, the Series 1992A bonds maturing may be redeemed prior to the mandatory redemption dates and final maturities at the option of the College's Board of Trustees. The bonds redeemed are subject to a redemption price equal to the par value of the bond and accrued interest to date.

Facilities and Improvement Revenue Refunding Bonds, Series 1992

An allocation of College fee revenue as determined each year by the Board of Trustees, is used to pay principal and interest on the bonds. The bond covenant states that the College will collect each semester amounts sufficient to meet debt requirements.

With the State Treasurer of South Carolina, as Trustee, the College makes semi-annual payments to accounts held by the Treasurer to pay the necessary principal and interest payments. The Series 1992 bond covenant terms require the College to maintain with the Trustee a debt service reserve fund amount not exceeding the lesser of (1) the maximum annual principal and interest requirements of the bonds then outstanding for any subsequent fiscal year or (2) a sum permitted as reserve by the regulations of the United States Treasury relating to arbitrage bonds shall be held as a reserve. A debt service reserve fund balance of \$754,599 (after deducting \$7,701 of unrealized depreciation) was on deposit with the State Treasurer to meet the reserve requirement. This amount represents the sum allowable by the United States Treasury relating to arbitrage bonds.

All student fees are reported as revenue in the unrestricted current funds and the portion allocated for debt service on these bonds is recorded as a mandatory transfer to the retirement of indebtedness fund each academic

term. Payments are made on principal annually and interest semi-annually. The bond covenant requires the fee allocation be so structured that it will raise not less than 110% of the annual debt service requirements for the next ensuing fiscal year of all bonds outstanding. The College fee allocation for this purpose exceeds this requirement.

Beginning on or after January 1, 2003, the Facilities and Improvement Revenue Refunding Bonds Series 1992 maturing on and after January 1, 2003, may be redeemed prior to mandatory redemption dates and final maturities at the option of the College's Board of Trustees. The bonds redeemed are subject to the following terms:

- (1) if the redemption is made before January 1, 2004, the redemption premium shall be two percent (2%) of the principal amount of each Series 1992 Bond redeemed;
- (2) if the redemption is made on or after January 1, 2004, but before January 1, 2005, the redemption premium shall be one percent (1%) of the principal amount of each Series 1992 Bond redeemed.
- (3) if the redemption is made on or after January 1, 2005, there shall be no redemption premium.

Bond Maturities

All of the bonds are payable in semi-annual installments plus interest. Amounts including interest required for payment of the revenue bond obligations as of June 30, 2000 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 1,330,000	\$ 1,092,613	\$ 2,422,613
2002	1,410,000	1,023,619	2,433,619
2003	1,490,000	948,093	2,438,093
2004	1,575,000	866,028	2,441,028
2005	1,615,000	777,625	2,392,625
2006-13	11,965,000	2,906,035	14,871,035
Total Obligations	<u>\$ 19,385,000</u>	<u>\$ 7,614,013</u>	<u>\$ 26,999,013</u>

During fiscal year 2000, the College paid principal in the amount of \$1,250,000 for the two bonds, and reported interest expenditures and other charges on the bonds of \$1,141,411. No arbitrage costs were incurred during 1999-2000.

In prior years, the College defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments (principal and interest) on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in these financial statements. At June 30, 2000, \$3,907,000 of bonds outstanding is considered defeased.

NOTE 6 – LEASE OBLIGATIONS

The College is obligated under various operating leases for the use of real property (land, buildings, and office facilities) and equipment. In addition, the entity is obligated under a capital lease for the acquisition of equipment.

Future commitments for capital leases and operating leases having remaining noncancelable terms in excess of one year as of June 30, 2000, are as follows:

<u>Year Ending June 30</u>	<u>Capital Lease</u>	<u>Operating Leases</u>	
	<u>Equipment</u>	<u>Real Property</u>	<u>Equipment</u>
2001	\$ 59,312	\$ 1,546,731	\$ 199,465
2002		1,559,859	112,437
2003		474,154	84,753
2004		426,181	61,912
2005		243,948	7,231
2006 through 2062		6,810,000	
Total Minimum Lease Payments	<u>\$ 59,312</u>	<u>\$11,060,873</u>	<u>\$ 465,798</u>
Less: Interest	<u>\$ (3,156)</u>		
Principal Outstanding/ Present Value of Net Minimum Payments	<u>\$ 56,156</u>		

Capital Leases

During the prior fiscal year, the College entered into a capital lease for computer equipment in the total amount of \$153,807 and at an annual interest rate of 5.62%. Capital leases are generally payable in monthly installments from unrestricted current funds resources. Capital lease expenditures for the copier and the computer for fiscal year 2000 were \$62,997, of which \$6,427 represented interest and \$760 executory costs. The carrying value of the computer equipment held under capital lease at June 30, 2000 is \$153,807. The copier lease that had a principal balance of \$24,919 at June 30, 1999 and scheduled to terminate in December, 2000 was cancelled during fiscal year 2000 resulting in an early termination credit of \$22,277. The \$78,850 carrying value of the copier is included in disposals of property and equipment in the investment in plant fund for the year ended June 30, 2000.

Certain capital leases provide for renewal and/or purchase options. Generally purchase options at bargain prices of one dollar are exercisable at the expiration of the lease terms.

Operating Leases

The College's noncancelable operating leases having remaining terms of more than one year expire in various fiscal years from 2001 through 2062. Certain operating leases provide for renewal options for periods of one to three years at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases. Operating leases are generally payable on a monthly basis.

In 2000, the College entered into real property operating leases with College of Charleston Foundation, a related party, for sixteen different locations for offices, dormitories and parking from July 1, 1999 through June 30, 2000 for annual rentals of \$363,351. The agreements contain renewal options. Under these agreements, the College paid the Foundation \$363,351 in the current year. These leases provide that the College assumes responsibility for the maintenance of the property. There are no escalation clauses in the leases nor is the College liable for property taxes. During the subsequent fiscal year, the College renewed all existing leases with the Foundation with no changes in the terms or lease period.

In the case of operating leases for real property from commercial vendors, there exist two leases with escalation clauses limited to the cost of living. The leased properties consist of a parking lot and a warehouse. Additionally, the College pays the commercial vendor property taxes. The College performs routine maintenance on these properties. These costs are not included in the schedule of lease commitments.

Additionally, the College leases a sports complex field from the Patriots Point Development Authority, a State Agency, with annual rents of \$90,000 per year (\$7,500 per month) April 1, 1997 through March 31, 2002 and \$10,000 per month April 1, 2002 through March 31, 2062 with annual increases equal to the Consumer Price Index beginning April 1, 2003. A one-time payment of \$500,000 was paid in fiscal year 1998 with a corresponding charge to prepaid expenditures. It is being amortized ratably over the 65 year lease term utilizing the straight line method of calculation. The lease agreements make no provisions beyond the 65 year period. The unamortized balance at June 30, 2000 is \$475,001. Amortization of the prepaid rent balance for fiscal year 2000 was \$7,692 and is reported in operating lease expenditures. The College provides maintenance to the tax exempt property. The College paid the Patriots Point Development Authority \$90,000 in rent in fiscal year 2000.

Total operating lease expenditures for fiscal year 2000 were \$1,447,985. The College reports all of these operating lease costs in the applicable current funds functional expenditure categories.

NOTE 7 – NON-MANDATORY TRANSFERS

Debt service funds become available for transfer because of the maintenance of minimum balances including reserves for payment of debt service and facility operating costs as required by bond indentures and law. Tuition, fees, and revenues pledged for debt service when collected and transferred to the retirement of indebtedness plant funds subgroup remain in the debt service accounts until they are transferred by the State Treasurer into a general capital improvements funding account. For housing and auxiliary bonds and facilities and improvement bonds issued by the College, a

written request for the transfer of funds in excess of required minimum balances is submitted by the College to the State Treasurer. As needed, monies are transferred from the general capital funding account to specific capital projects accounts. For the most part, institutions are authorized to make transfers for specific projects with notification to the State Treasurer.

The College reports its general capital funding account in the unexpended plant funds subgroup and the unexpended balance thereof as unrestricted fund balance. In fiscal year 2000, the College transferred \$580,273 for that purpose which is reported as a non-mandatory transfer from the retirement of indebtedness subgroup and the unexpended plant funds subgroup is reported in unrestricted fund balance. During the current year, the College transferred \$20,712,740 within that subgroup from the general capital projects funding account to finance specific capital projects. Unexpended balances of the specific capital project accounts are reported as restricted fund balances in the unexpended plant funds subgroup.

The College also reports a non-mandatory transfer of \$6,373,641 from unrestricted current funds group to the unexpended plant funds which included \$4,138,309 for specific capital projects and \$2,535,332 for unspecified future projects. The \$4,138,309 represents college fees approved by the State Budget and Control Board for educational and general capital projects.

NOTE 8 – PENSION PLANS

The Retirement Division of the State Budget and Control Board maintains four independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the Retirement Division, 202 Arbor Lake Drive, Columbia, South Carolina 29223. Furthermore, the Division and the four pension plans are included in the CAFR of the State of South Carolina.

The majority of employees of the College are covered by a retirement plan through the South

Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division, a public employee retirement system. Generally all State employees are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws. This plan provides retirement annuity benefits as well as disability, cost of living adjustment, death, and group-life insurance benefits to eligible employees and retirees.

Under the SCRS, employees are eligible for a full service retirement annuity upon reaching age 65 or completion of 30 years credited service regardless of age. The benefit formula for full benefits effective since July 1, 1989, for the SCRS is 1.82 percent of an employee's average final compensation multiplied by the number of years of credited service. Early retirement options with reduced benefits are available as early as age 55. Employees are vested for a deferred annuity after five years service and qualify for a survivor's benefit upon completion of 15 years credited service. Disability annuity benefits are payable to employees totally and permanently disabled provided they have a minimum of five years credited service. A group-life insurance benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service.

Since July 1, 1988, employees participating in the SCRS have been required to contribute 6.0 percent of all compensation. Effective July 1, 1999, the employer contribution rate became 9.50 percent which included a 1.95 percent surcharge to fund retiree health and dental insurance coverage. Effective January 1, 2000, the surcharge to fund retiree health and dental insurance coverage was increased to 2.16 percent and the employer rate became 9.71 percent to cover the cost of providing such services. The College's actual contributions to the SCRS for the three most recent fiscal years ending June 30, 2000, 1999, and 1998, were \$2,320,000, \$2,180,000, and \$2,096,000, respectively, and equaled the required contributions of 7.55 percent (excluding the surcharge) for each year. Also, the College paid approximately \$46,000 for employer group-life insurance contributions in the current fiscal year at the rate of .15 percent of compensation and

\$4,700 for the employer's 7.55 percent share of pension costs for employees buying retirement time.

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple-employer defined benefit public employee retirement plan. Generally all full-time employees whose principal duties are preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to the System as a condition of employment. This plan provides annuity benefits as well as disability and group-life insurance benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

Employees covered under PORS are eligible for a monthly pension payable at age 55 with a minimum of five years service or 25 years credited service regardless of age. In addition, employees who have five years of credited services prior to age 55 can retire yet defer receipt of benefits until they reach age 55. A member is vested for a deferred annuity with five years service. The benefit formula for full benefits effective since July 1, 1989, for the PORS is 2.14 percent of the employee's average final salary multiplied by the number of years of credited service. Disability annuity benefits and the group-life insurance benefits for PORS members are similar to those for SCRS participants. Accidental death benefits provide a monthly pension of 50 percent of the member's budgeted compensation at the time of death.

Since July 1, 1998, employees participating in the PORS have been required to contribute 6.5% of all compensation. Effective July 1, 1999, the employer contribution rate became 12.25 percent which, as for the SCRS, included the 1.95 percent surcharge. Effective January 1, 2000, the surcharge to fund retiree health and dental insurance coverage was increased to 2.16 percent and the employer rate became 12.46 percent to cover the cost of providing such services. The College's actual contributions to the PORS for the years ending June 30, 2000 and 1999, were approximately \$156,000, and

\$60,000, respectively, and equaled the required contribution of 10.3 percent (excluding the surcharge) for each year. (Effective January 1, 1999, the College became responsible for the public safety services on its campus and began participating in PORS.) Also, the College paid employer group-life insurance contributions of \$2,531 and accidental death insurance contributions of \$2,531 in the current fiscal year for PORS participants. The rate for each of these insurance benefits is .20 percent of compensation.

The amounts paid by the College for pension, group-life insurance, and accidental death benefits are reported as employer contributions expenditures within the applicable current funds functional expenditure categories to which the related salaries are charged.

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefits, and employee/employer contributions for each pension plan. Employee and employer contribution rates to SCRS (and PORS) are actuarially determined. The surcharges to fund retiree health and dental insurance are not part of the actuarially established rates. Annual benefits, payable monthly for life, are based on length of service and on average final compensation (an annualized average of the employee's highest 12 consecutive quarters of compensation).

The Systems do not make separate measurements of assets and pension liabilities for individual employers. Under Title 9 of the South Carolina Code of Laws, the College's liability under the plans is limited to the amounts of contributions stated as a percentage of covered payroll established by the State Budget and Control Board. Therefore, the College's liability under the pension plans is limited to the contribution requirements for the applicable year from amounts appropriated therefor in the South Carolina Appropriation Act and amounts from other applicable revenue sources. Accordingly, the College recognizes no contingent liability for unfunded costs associated with participation in the plans.

At retirement, employees participating in the SCRS or PORS receive additional service credit

at a rate of 20 days equals one month of service for up to 90 days for accumulated unused sick leave.

Certain State employees may elect to participate in the Optional Retirement Program (ORP), a defined contribution plan. The ORP was established in 1987 under Title 9, Chapter 17, of the South Carolina Code of Laws. The ORP provides retirement and death benefits through the purchase of individual fixed or variable annuity contracts which are issued to, and become the property of, the participants. The State assumes no liability for this plan other than for payment of contributions to designated insurance companies.

ORP participation is limited to faculty and administrative staff of the State's four-year higher education institutions and effective July, 1998 to certain teachers and administrators of the State's publicly-supported technical colleges who meet all eligibility requirements for membership in the SCRS. To elect participation in the ORP, eligible employees must irrevocably waive SCRS membership within their first ninety days of employment.

Under State law, contributions to the ORP are required at the same rates as for the SCRS, 7.55 percent plus the retiree surcharge of 1.95 percent from July 1, 1999 to December 31, 1999 and 2.16 percent from January 1, 2000 to June 30, 2000 from the employer in fiscal year 2000.

Certain of the College's employees have elected to be covered under optional retirement plans. For the fiscal year, total contribution requirements to the ORP were approximately \$779,000 excluding the surcharge from the College as employer and approximately \$619,000 from its employees as plan members. In addition, the College paid approximately \$15,500 for group-life insurance coverage for these employees. All amounts were remitted to the Retirement Division of the State Budget and Control Board for distribution to the respective annuity policy providers. The obligation for payment of benefits resides with the insurance companies.

An Act passed in the last General Assembly session, which had not been signed by the Governor as of June 30, 2000, will amend Chapter 1, Title 9, of the 1976 Code of Laws, relating to the South Carolina Retirement

System effective July 1, 2000, with some provisions effective January 1, 2001. The amendment will enact the Teacher and Employee Retention Incentive Program, reduce from thirty to twenty-eight years the creditable service required to retire at any age without penalty and make other changes to the SCRS.

NOTE 9 – POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS

In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the State of South Carolina provides certain health care, dental, and life insurance benefits to certain active and retired State employees and certain surviving dependents of retirees. All permanent full-time and certain permanent part-time employees of the College are eligible to receive these benefits. The State provides postemployment health and dental benefits to employees who retire from State service or who terminated with at least 20 years of State service who meet one or more of the eligibility requirements, such as age, length of service, and hire date. Generally those who retire must have at least 10 years of retirement service credit to qualify for these State-funded benefits. Benefits are effective at date of retirement when the employee is eligible for retirement benefits.

These benefits are provided through annual appropriations by the General Assembly to the College for its active employees and to the State Budget and Control Board for all participating State retirees except the portions funded through the pension surcharge and provided from other applicable fund sources of the College for its active employees who are not funded by State General Fund appropriations. The State finances health and dental plan benefits on a pay-as-you-go basis. Approximately 20,000 State retirees met these eligibility requirements as of June 30, 1999.

The College recorded employer contributions expenditures within the applicable functional expenditure categories for these insurance benefits for active employees in the amount of approximately \$2,671,000 for the year ended June 30, 2000. As discussed in Note 8, the College paid approximately \$844,000 applicable to the 1.95 percent surcharge for July 1, 1999 to December 31, 1999 and the 2.16 percent surcharge for January 1, 2000 to June 30, 2000

included with the employer contributions for retirement benefits. These amounts were remitted to the South Carolina Retirement Systems for distribution to the Office of Insurance Services for retiree health and dental insurance benefits.

Information regarding the cost of insurance benefits applicable to College retirees is not available. By State law, the College has no liability for retirement benefits. Accordingly, the cost of providing these benefits for retirees is not included in the accompanying financial statements.

In addition, the State General Assembly periodically directs the Retirement Systems to pay supplemental (cost of living) increases to retirees. Such increases are primarily funded from System's earnings; however, a portion of the required amount is appropriated from the State General Fund annually for the SCRS and PORS benefits.

NOTE 10 – DEFERRED COMPENSATION PLANS

Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. Certain employees of the College have elected to participate. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401 (K), and 403 (B), are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee. The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

The State appropriated funds from unspent Fiscal Year 1999 General Fund appropriations above the ten percent set aside, for contributions to 401 (K) accounts of eligible state employees whose salaries are funded from State General Fund appropriations. In addition, the 2000 Appropriation Act required agencies to match certain 401(K) contributions by employees whose salaries are funded from its other applicable revenue sources. The appropriated 401(K) match is limited to \$300. To be eligible an employee must meet the following eligibility requirements:

The employee was a permanent full-time State employee for 24 continuous months as of July 1, 1999 and employed on the date of distribution, and,

2. The employee must have established a 401(K) account with annual contributions equal to the match (this requirement is not required for employees earning less than \$20,000.

In April 2000, the College made contributions from State appropriations and other applicable funding sources of \$118 in total to the 401 (K) account of each eligible State employee, for a total of \$43,953 for all of the College's employees. The contributions were reported as employee benefits in the applicable functional expenditure categories in the appropriate fund groups.

NOTE 11 INVENTORIES

Inventories for internal use are valued at cost. Other inventories for resale are valued at the lower of cost or market. The following is a summary by inventory category of cost determination method and value at June 30, 2000:

Category	Method	
Bookstore	Moving weighted average	\$1,768,487
Central Supply	First-in, first-out	215,279
Total		\$1,983,766
		=====

NOTE 12 – INTERFUND LIABILITIES AND BORROWINGS

For the most part, the College operates out of one cash account which is recorded in unrestricted current funds. At fiscal year-end, entries are made to properly reflect cash balances by fund group and subgroup and to report interfund liabilities for deficit cash balances in the State's internal cash management pool accounts by fund. In addition, during the year, certain interfund borrowings occurred. At June 30, 2000, the restricted current funds were obligated to the unrestricted

current funds in the amount of \$307,039. This amount represents reimbursable amounts for federal programs to be received during fiscal year 2001 and the liability will be repaid without interest satisfying the interfund borrowings.

NOTE 13 – STUDENT LOANS, ACCOUNTS AND OTHER RECEIVABLES

The College has the following significant and/or unique receivables in its various fund groups and subgroups:

Unrestricted Current Funds:		
Cafeteria, Sottile Auditorium and Vending Commissions	\$ 197,532	
Bookstore Book Credit Memos	307,510	
Student Academic Fees Receivable, Net	1,524,172	
Student Auxiliary Service Fees, Net	<u>184,455</u>	
		\$ 2,213,669
Restricted Current Funds:		
Grants and Contracts		
Federal	\$ 590,000	
Non-governmental	<u>52,192</u>	
		642,192
Loan Funds:		
Perkins Loan Program	\$ 2,080,503	
Baruch Loan Program	<u>800</u>	
		2,081,303
Agency Funds:		
Advances for the benefit of future activities		<u>6,468</u>
Total		\$ 4,943,632
		=====

At June 30, 2000, accounts receivable in the unrestricted current funds group are reported net of the applicable allowance for doubtful accounts. With minor exceptions, the allowance for losses for various accounts receivable are established based upon actual losses experienced in prior years and evaluations of the current account portfolios. At June 30, 2000, the allowance for student academic fees receivable and student auxiliary service fees accounts receivable in the unrestricted current funds are valued at \$120,000 and \$30,000, respectively.

Losses for student loans receivable in the loan fund group are not estimated or recorded in allowance for uncollectible accounts. This amount is not considered material enough to adversely affect the financial statements. At the time a loan is considered to be uncollectible, it is charged to the principal of the fund from which the loan was made. Any account receivable written off is recognized in the period in which the receivable is considered uncollectible.

NOTE 14 – CONSTRUCTION COSTS AND COMMITMENTS

The College has obtained the necessary funding for the acquisition, construction, renovation, and equipping of certain facilities which will be capitalized in the applicable plant assets categories upon completion. Management estimates that the College has sufficient resources available and/or future resources identified to satisfactorily complete the construction of such projects which are expected to be completed in varying phases over the next five years at an estimated total cost of

\$46,000,000. Of the total cost, approximately \$44,300,000 was unexpended at June 30, 2000. The College capitalized substantially complete and in use projects costing \$6,886,060 in the applicable plant asset categories for the year ended June 30, 2000. The College had outstanding commitment balances of approximately \$1,060,000 with certain engineering firms, construction contractors, and other vendors related to these projects. Major capital projects at June 30, 2000, which constitute construction in progress that are to be capitalized when completed are listed below.

Project Title	Estimated Cost	Amount Expended
Program Academic Conversion	\$ 1,647,000	\$ 232,866
ADA Compliance Alterations	162,414	105,888
New Library	24,150,000	1,145,988
Sailing Center	495,000	177,317
Campus Security	185,000	5,919
Other approved projects for which no costs have been expended	19,318,000	
Total	\$ 45,957,414	\$ 1,667,978

At June 30, 2000, the College had in progress other capital projects which are not to be capitalized when completed. These projects are for replacements, repairs, and/or renovations to existing facilities. Costs incurred to date on these projects amounted to approximately \$1,474,000 at June 30, 2000, and the estimated cost to complete is approximately \$1,051,000. At June 30, 2000, the College had outstanding

commitment balances of approximately \$142,000 related to these projects.

The College anticipates funding these projects out of current resources, future bond issues, state capital improvement bond proceeds, private gifts, student fees and State appropriations.

NOTE 15 CASH AND DEPOSITS

All deposits of the College are under the control of the State Treasurer who, by law, has sole authority for State funds. Certain monies are deposited with or managed by financial

institutions with the approval of the State Treasurer's office.

The following schedule reconciles deposits and investments within the footnotes to the balance sheet amounts:

Balance Sheet		Footnotes	
Cash and Cash Equivalents	\$36,133,932	Cash on Hand	\$ 27,150
		Deposits Held by State Treasurer	36,080,044
		Other Deposits	26,738
Totals	\$36,133,932		\$ 36,133,932
	=====		=====

Deposits Held by State Treasurer

State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days.

With respect to investments in the State's internal cash management pool, all of the State Treasurer's investments are insured or registered or are investments for which the securities are held by the State or its agents in the State's name. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina. Cash and cash equivalent balances reported on the balance sheet reflect \$155,987 in unrealized depreciation as of June 30, 2000.

As disclosed in Note 5, retirement of indebtedness funds include \$ 754,599 of restricted cash held by the State Treasurer for debt service reserve funds as required by the bond indenture.

Other Deposits

The College's other deposits at year-end were entirely covered by federal depository insurance or by collateral held by the College's custodial banks in the College's name. The \$26,738 consists of \$13,555 in restricted cash for a loan participation deposit, \$3,183 in the revolving student Baruch Loan account and \$10,000 in the return check clearing account. These accounts have been approved by the State Treasurer.

NOTE 16 – ENDOWMENT FUND

The Endowment Fund is held by the State Treasurer of South Carolina as cash and cash equivalents for the College. Interest earnings are available to the College and recorded in the restricted current funds. The reported amount of the endowment fund was \$98,763 at June 30, 2000.

NOTE 17 – GIFTS AND PLEDGES

Gifts include resources donated to the College for unrestricted or restricted institutional purposes. Gifts are non-exchange transactions.

Pledges of gifts for the benefit of the College are received and managed by the College of Charleston Foundation (Foundation) and are reported herein as a related party.

Pledges to the Foundation will be recorded as revenue to the College only after payment conditions for scholarships, construction and other costs have been met. Accordingly, it is not practicable to estimate the net realizable value of uncollected pledges to the Foundation.

NOTE 18 – RELATED PARTIES

Certain separately chartered legal entities whose activities are related to those of the College exist primarily to provide financial assistance and other support to the College and its educational program. They include the College of Charleston Foundation and the

Cougar Club. The financial statements of the College of Charleston Foundation are audited by independent auditors retained by the organization. The activities of these two organizations are not included in the College's financial statements. However, the College's statements include transactions between the College and these related parties.

In conjunction with its implementation of GASB statement No. 14, and each fiscal year thereafter, management annually reviews its relationships with the entities described in this note. The College excluded these entities from the reporting entity because it is not financially accountable for them. As part of its affiliated

organizations project, the GASB is currently studying other circumstances under which organizations that do not meet financial reporting accountability criteria would be included in the financial reporting entity. Depending on the outcome of that project and other future GASB pronouncements, some or all of these organizations may become component units of the College and/or part of the financial reporting entity.

The College of Charleston Foundation is a separately chartered entity which exists exclusively to benefit the College. Transactions between the College and the Foundation during the year ended June 30, 2000 were as follows:

Unrestricted Current Funds – educational and general expenditures:

Rents paid by the College to the Foundation for the rental of certain real property (excludes approximately \$2,000 for premiums for insurance coverage on leased properties owned by the Foundation).	\$ 263,851
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Restricted Current Funds – private gifts:

Scholarships awarded by the College and reimbursed by the Foundation	\$ 1,030,992
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Unexpended Plant Fund – private gifts receivable from College of Charleston Foundation (See Note 13):

For construction of new library-gift made during fiscal year ended June 30, 2000	\$ 6,000,000
For renovation of Avery Institute-gift made in prior year	259,565

Agency Funds – deposits held for others:

Deposit held by the College for the Foundation	\$ 31,244
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See Note 6 regarding lease transactions with the Foundation. Also the Foundation reimbursed the College \$911,409 for certain expenditures that were paid by the College for the benefit of the Foundation.

The financial statements of the Foundation as of December 31, 1999, and for the year then ended were examined by independent auditors. The assets, liabilities and operating activities of the foundation as of December 31, 1999, and

for the year then ended, presented below are from the Foundation's audited financial statements and are not included in the accompanying financial statements of the College.

Statement of Financial Position
As of December 31, 1999

<u>Assets</u>	<u>In Thousands</u>
Cash and short term investments	\$ 1,620
Promises to give	2,286
Investments	30,666
Accounts and notes receivable	391
Prepaid expenses	18
Inventory	34
Property and equipment	9,240
Other assets	215
Total Assets	<u>\$ 44,470</u>
<u>Liabilities</u>	
Deferred revenues	\$ 70
Accrued expenses	237
Notes payable	619
Annuity payable	392
Total Liabilities	<u>1,318</u>
<u>Net Assets:</u>	
Unrestricted	499
Temporarily restricted	25,770
Permanently restricted	16,883
Total Net Assets	<u>43,152</u>
Total Liabilities and Net Assets	<u>\$ 44,470</u> =====

Statement of Activities
Year Ended December 31, 1999

<u>Revenue, Gains and Other Support:</u>	
Contributions – cash and non-cash	\$ 4,808
Investment and other income	1,314
Changes in value of split interest agreement	(27)
Net realized and unrealized gains	2,337
Total revenue, gains and other support	<u>8,432</u>
<u>Expenses and Losses:</u>	
Program	2,715
Supporting	731
Total expenses and losses	<u>3,446</u>
<u>Changes in Net Assets</u>	4,986
<u>Net Assets, Beginning of Year</u>	38,166
<u>Net Assets, End of Year</u>	<u>\$ 43,152</u> =====

The Cougar Club is another organization related to the College whose activities are to solicit and provide funds to the athletic department in the form of scholarships and general revenues from season ticket sales and fund raising activities. Season basketball tickets are only available through Cougar Club membership. The College received \$200,000 from the Cougar Club in fiscal year 2000, primarily for athletic scholarships which are reported as part of private gifts for auxiliaries in the unrestricted current fund and \$125,000 for basketball ticket sales which is reported as sales and services of

Auxiliary Enterprises in unrestricted current funds..

The financial statements of the Cougar Club as of June 30, 1998, and for the year then ended, was examined by independent auditors. The assets, liabilities and operating activities of the Cougar Club as of June 30, 1998, and the year then ended, presented below, are from the Cougar Club's audited financial statements and are not included in the accompanying financial statements of the College.

Statement of Financial Position
As of June 30, 1998

<u>Assets</u>	<u>In Thousands</u>
Cash	120
Accounts receivable	3
Investments	124
Equipment (Net of accumulated depreciation)	27
Total Assets	<u>\$ 274</u> =====
 <u>Liabilities</u>	
Accounts payable	\$ 4
Loan payable	16
Incentive compensation contract	124
Total Liabilities	<u>\$ 144</u>
 <u>Net Assets:</u>	
Unrestricted	62
Temporarily restricted	68
Total Net Assets	<u>\$ 130</u>
 Total Liabilities and Net Assets	 <u>\$ 274</u> =====

Statement of Activities
Year Ended June 30, 1998

Revenue and Other Support:

Contribution/ membership	\$ 321
Special events	107
Investment income	21
Season ticket sales	94
Other	<u>3</u>
Total revenue and other support	<u>546</u>

Expenses:

Program	406
Supporting	<u>78</u>
Total expenses	<u>484</u>

<u>Changes in Net Assets</u>	62
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<u>Net Assets, Beginning of Year</u>	<u>68</u>
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<u>Net Assets, End of Year</u>	\$ 130 =====
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**NOTE 19 – TRANSACTIONS WITH
STATE ENTITIES**

The College has significant transactions with the State of South Carolina and various State agencies.

Services received at no cost from State agencies include maintenance of certain accounting records by the Comptroller General, check preparation, banking and bond trustee from the State Treasurer; and, legal services from the Attorney General.

Other services received at no cost from the various offices of the State Budget and Control Board include pension plans administration, insurance plans administration, audit services, grant services, personnel management, assistance in the preparation of the State Budget, review and approval of certain budget amendments, procurement services, and other centralized functions.

The College had financial transactions with various State agencies during the fiscal year. Significant payments were made to divisions of the State Budget and Control Board for pension and insurance plans employee and employer contributions, vehicle rental, surplus property disposal fees, office supplies, telephone and interagency mail. Significant payments were also made for unemployment and worker's compensation coverage for employees to the Employment Security Commission and State Accident Fund. The amounts of certain fiscal year 2000 expenditures applicable to those transactions are not readily available.

The College purchased various goods and services from other State agencies during fiscal year 2000. The primary purchases include the following: The Citadel-\$321,053 for printing services; the Division of General Services of the State Budget and Control Board - \$5,088 for office and educational supplies; the Medical University of South Carolina - \$56,507 for printing; the South Carolina Department of Corrections - \$22,007 for furniture; the State

Office of Insurance Services of the State Budget and Control Board-\$583,664 for insurance; Patriot's Point Development Authority - \$90,000 for lease of land on which the College has built a sports complex; the South Carolina Department of Natural Resources - \$48,000 for chilled water services; \$2,521 for telephone services and Xerox charges; and \$151,000 for Fort Johnson facility upgrade; The State Board of Technical and Comprehensive Education - \$69,686 for maintenance fees; The Department of Transportation-\$1,712 for maintenance and supplies; and, The State Law Enforcement Division - \$5,455 for background checks and equipment. Generally these amounts are recorded as expenditures in the current funds groups.

The College did pass certain federal grant funds to other state agencies as subrecipient grantees in the amount of \$103,077 to the University of South Carolina, South Carolina State University, Clemson University, the Citadel, Coastal Carolina University and the Medical University of South Carolina.

The College provided no services to other State agencies during the year.

NOTE 20 – CONTINGENCIES AND LITIGATION

The College is involved in three legal proceedings and claims with various parties which arose in the normal course of business. One lawsuit involved a vendor who is suing the College based on a claim that the College failed to pay interest on payments to the vendor that exceeded thirty working days. The second lawsuit is by a former student who alleges due process violation arising out of a grade assignment. The plaintiffs in both cases lost and have appealed. The third is a class action lawsuit that challenges the constitutionality and administration of the State's Debt Set Off Act. An order was issued in February, 2000 finding that numerous State agencies and political subdivisions had failed to give proper notice prior to setting off debts against the debtor's income tax refunds. An appeal and other proceedings are pending. Although any litigation has an element of uncertainty, it is the opinion of management and counsel that the risk of material loss in excess of insurance coverage for these lawsuits is remote and the outcomes of legal proceedings and claims are not expected to have a material adverse effect on the financial

position of the College. Therefore, an estimated liability has not been recorded.

The College has examined its potential for environmental remediation liabilities and has determined that its operations have not involved any potential liability. The College utilizes an approved hazardous waste plan for its operations.

The various federal programs administered by the College for fiscal year 2000 and prior years are subject to examination by the federal grantor agencies. At the present time, amounts which may be due federal grants, if any, have not been determined but the College believes that any such amounts in the aggregate would not have a material adverse effect on the financial statements. Therefore an estimate has not been recorded.

NOTE 21 – RISK MANAGEMENT

Insurance Coverage

The College is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. There were no significant reductions in insurance coverage from coverage in the prior year. The costs of settled claims and claim losses have not exceeded this coverage in any of the past three years. The College pays insurance premiums to certain other State agencies and commercial insurers to cover risks that may occur in normal operations. The insurers promise to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accord with insurance policy and benefit program limits.

State management believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several State funds accumulate assets and the State itself assumes substantially all risks for the following:

1. Claims of State employees for unemployment compensation benefits (Employment Security Commission);
2. Claims of covered employees for workers' compensation benefits for job related illnesses or injuries (State Accident Fund);

3. Claims of covered public employees for health and dental insurance benefits (Office of Insurance Services); and,
4. Claims of covered public employees for long-term disability and group-life insurance benefits (Office of Insurance Services).

Employees elect health coverage through either a health maintenance organization or through the State's self-insured plan. All of the other coverages listed above are through the applicable State self-insured plan except dependent and optional life premiums are remitted to commercial carriers.

The College and other entities pay premiums to the State's Insurance Reserve Fund (IRF) which issues policies, accumulates assets to cover the risks of loss, and pays claims incurred for covered losses related to the following College assets, activities, and/or events:

- Theft of, damage to, or destruction of assets;
2. Real property, its contents, and other equipment;
3. Motor vehicles and watercraft (inland marine);
4. Torts;
5. Business interruptions;
6. Natural disasters; and,
7. Medical malpractice claims against covered infirmaries, clinics, hospitals, employees, and third- and fourth-year medical students.

The IRF is a self-insurer and purchases reinsurance to obtain certain services and specialized coverage and to limit losses in the areas of property, boiler and machinery, automobile liability, and medical professional liability insurance. Also, the IRF purchases reinsurance for catastrophic property and medical professional liability insurance. Reinsurance permits partial recovery of losses from reinsurers, but the IRF remains primarily liable. The IRF purchases insurance for aircraft and ocean marine coverage. The IRF's rates are determined actuarially.

State agencies and other entities are the primary participants in the State's Health and Disability Insurance Fund and in the IRF.

The College also purchases a portion of its medical malpractice insurance coverage for healthcare providers through the State's insurance enterprise, the Medical Malpractice Patient's Compensation Fund.

The College obtains coverage through a commercial insurer for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation.

The College has recorded insurance premium expenditures in the applicable functional expenditure categories of the College's unrestricted current funds. These expenditures do not include estimates for probable premium adjustments resulting from actual loss experience for all coverages by the insurers for the fiscal year because the College's actual history indicates the amount is immaterial. The College is insured for such coverage under a retrospectively rated policy and premiums are accrued based on the ultimate cost of the experience to date of a group of entities.

The College has not transferred the portion of the risk related to insurance policy deductibles, unreported claims, underinsurance, and co-insurance for any coverages to a State or commercial insurer. The College did not report any expenditures in the current year for actual claims payments and/or costs related to such retained risks of loss. The College has not reported an estimated claims loss expenditure and the related liability at June 30, 2000, based on the requirements of GASB Statements No. 10 and No. 30, which state that a liability for claims must be reported if information prior to issuance of the financial statements indicates that it is probable that an asset has been impaired or a liability has been incurred on or before June 30, 2000, and the amount of the loss is reasonably estimable. Liabilities would include an amount for incurred but not reported (IBNR) losses when it is probable a claim will be asserted. Claims liabilities when recorded are based on estimates of the ultimate cost of settling known but not paid claims and IBNR claims at June 30 including the effects of inflation and other societal and economic factors and using past experience adjusted for current trends and other factors that would modify past experience. The claims liability would include

deductions for estimated recoveries on unsettled and settled claims and estimated costs of specific incremental claims adjustment expenditures.

In management's opinion, claim losses in excess of insurance coverage are unlikely and, if incurred, would be insignificant to the College's financial position. Furthermore, there is no evidence of asset impairment or other information to indicate that a loss expenditure and liability should be recorded at year-end. Therefore, no loss accrual has been recorded.

NOTE 22 – FUND BALANCES

The College records accrued compensated absences for leave benefits as they are earned by employees based on the requirements of GASB Statement No. 16 Accounting for Compensated Absences. The State establishes leave policy, but it does not fund the related liability for the College's employees funded from the State General Fund appropriations until employees are paid for the leave. Also, the College does not accumulate assets to fund the liability to be paid to employees funded from other revenue sources. The difference between the funding policy and the required accounting treatment that affected the components of fund balance of unrestricted current funds at June 30, 2000 are as follows:

Unrestricted Current Fund Balance:

Educational and General	\$ 4,032,472
Less, Portion Attributable to Compensated Absences and Related Benefits	<u>(2,156,174)</u>
Total Fund Balance, net	<u>\$ 1,876,298</u>
 Auxiliary Enterprises	 \$ 5,865,422
Less, Portion Attributable to Compensated Absences and Related Benefits	<u>(215,387)</u>
Total Fund Balance, net	<u>\$ 5,650,035</u>
 Total Unrestricted Fund Balance	 <u>\$ 7,526,333</u>

The remaining fund balances at June 30, 2000 are as follows:

Restricted Current Fund Balance:

Grants and Contracts	\$ 150,459
	=====

Loan Funds Balance:

U.S. Government grants refundable	\$ 2,409,570
Donor Restricted	<u>7,041</u>
Total Loan Funds	<u>\$ 2,416,611</u>
	=====

Endowment Fund Balance:

Restricted	\$ 98,763
	=====

Plant Funds:

Unexpended plant fund:	
Restricted	\$44,034,842
Unrestricted – designated	<u>10,126,403</u>
Total Unexpended Plant Fund	<u>\$54,161,245</u>
	=====

Retirement of Indebtedness Fund:

Restricted	\$ 754,599
	=====

NOTE 23 – ACCOUNTING CHANGES

Accounting principles include not only accounting principles and practices but also the methods of applying them.

Effective July 1, 1999, the College adopted NACUBO Advisory Report 99-1 *Accounting and Reporting for Nongovernmental Grants and Contracts and Gifts*, which modifies the *Financial Accounting and Reporting Manual for Higher Education (FARM)*. In previous years revenues from private gifts and private grants and contracts were reported in one revenue account in all affected fund groups/subgroups. The two classifications have been separated to provide better disclosure and accountability for resources that are a result of donor activity and of resources that are a result of acquiring grants and contracts from nongovernmental entities including individuals and other private sources. This change did not have an effect on the fund balances for the fiscal years ended June 30, 2000 and 1999. Certain restatements or revenues did result and they are presented on the following pages.

Effective July 1, 1999, the College adopted NACUBO Advisory Report 99-6, *Reporting Safety and Security Expenses by Higher Education* which modifies the *Financial Accounting and Reporting Manual for Higher Education (FARM)*. Safety and security expenditures are now reported in the operation and maintenance of plant current funds functional expenditure category. For the year ended June 30, 1999, \$1,912,182 of those expenses were reported as institutional support. Such expenditures were \$1,775,615 for fiscal year 2000. These changes did not have an

effect on the fund balances for the years ended June 30, 2000 and June 30, 1999..

Effective July 1, 1999, the College adopted NACUBO Advisory Report 99-7, *Accounting and Reporting for Capitalization of Software* which modified the *Financial Accounting and Reporting Manual for Higher Education (FARM)*. This report adopted AICPA Statement of Position 98-1, *Accounting for Costs of Computer Software Developed or Obtained for Internal Use* for public not-for-profit higher education institutions. In previous years, all information technology costs including computer software costs were reported in the applicable fund group/subgroup in the functional expenditure categories of academic support and institutional support. That expenditure reporting treatment is unchanged but the College now capitalizes the costs of computer software for internal use. This statement does not require restatement of prior costs. Note 1 describes the College's policy for capitalizing computer software developed or obtained for internal use in a separate capital asset account in the investment in plant fund subgroup; for reporting a deduction for the annual amortization of the capitalized costs; and, for reporting both capitalized and non-capitalized information technology costs. For fiscal year ended June 30, 2000, \$224,246 of computer software was capitalized and \$22,425 in amortization was charged for the year. Also, \$69,686 was acquired in fiscal year ended June 30, 1999.

Following is a summary of the restated amounts for the year ended June 30, 1999 for the above described accounting changes:

Fiscal Year 1999			Totals	
Restricted	Unexpended	Investment	(Memorandum Only)	
Current	Current	in		
Funds	Funds	Plant	FY 1999	FY 2000

BALANCE SHEET

ASSETS:

Grants and Contracts

Receivable				
As previously reported	\$ 366,751	\$ 559,565	\$ 926,316	
Increase (decrease)	<u>0</u>	<u>(559,565)</u>	<u>(559,565)</u>	
As restated	\$ 366,751	\$ 0	\$ 366,751	\$ 642,192
	-----	=====		=====

Private gifts receivable

As previously reported	\$ 0	\$ 0		
Increase (decrease)	<u>559,565</u>	<u>559,565</u>	<u>559,565</u>	
As restated	\$ 559,565	\$ 559,565	\$ 559,565	\$ 6,259,565
	=====	=====		=====

	Fiscal Year 1999			Totals (Memorandum Only)	
	Restricted Current Funds	Unexpended Plant Fund	Investment in Plant	FY 1999	FY 2000
STATEMENT OF CHANGES IN FUND BALANCES					
REVENUES:					
Private gifts, grants and contracts – restricted					
As previously reported	\$ 1,249,185	\$ 429,304	\$ 246,363	\$ 1,924,852	
Increase (decrease)	<u>(1,249,185)</u>	<u>(429,304)</u>	<u>(246,363)</u>	<u>(1,924,852)</u>	
As restated	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
	=====	=====		=====	=====
Non-governmental grants and contracts – restricted					
As previously reported	\$ 0			\$ 0	
Increase (decrease)	<u>224,444</u>			<u>224,444</u>	
As restated	\$ 224,444			\$ 224,444	\$ 307,064
	=====			=====	=====
Private gifts					
As previously reported	\$ 0	\$ 0	\$ 0	\$ 0	
Increase (decrease)	<u>1,024,741</u>	<u>429,304</u>	<u>246,363</u>	<u>1,700,408</u>	
As restated	\$ 1,024,741	\$ 429,304	\$ 246,363	\$ 1,700,408	\$ 7,027,388
	=====	=====	=====	=====	=====

	Fiscal Year 1999		Totals	
	Unrestricted Current Funds	Restricted Current Funds	FY 1999	FY 2000
STATEMENT OF CURRENT FUNDS				
REVENUES, EXPENDITURES AND				
OTHER CHANGES				
REVENUES:				
Private gifts, grants and contracts for auxiliaries:				
As previously reported	\$ 195,000		\$ 195,000	
Increase (decrease)	(195,000)		(195,000)	
As restated	\$ 0		\$ 0	\$ 0
	=====		=====	=====
Private gifts for auxiliaries:				
As previously reported	\$ 0		\$ 0	
Increase (decrease)	195,000		195,000	
As restated	\$ 195,000		\$ 195,000	\$ 200,000
	=====		=====	=====
Private gifts, grants and contracts-restricted				
As previously reported		\$ 1,239,390	\$ 1,239,390	
Increase (decrease)		(1,239,390)	1,239,390	
As restated		\$ 0	\$ 0	\$ 0
		=====	=====	=====
Non-governmental grants and contracts-restricted				
As previously reported		\$ 0	\$ 0	
Increase (decrease)		224,444	224,444	
As restated		\$ 224,444	\$ 224,444	\$ 307,064
		=====	=====	=====
Private gifts				
As previously reported		\$ 0	\$ 0	
Increase (decrease)		1,014,946	1,014,946	
As restated		\$ 1,014,946	\$ 1,014,946	\$ 998,597
		=====	=====	=====
EXPENDITURES:				
Institutional Support				
As previously reported	\$ 9,177,890		\$ 9,177,890	
Increase (decrease)	(1,912,182)		(1,912,182)	
As restated	\$ 7,265,708		\$ 7,265,708	\$ 8,301,313
	=====		=====	=====
Operation and Maintenance - Physical Plant				
As previously reported	\$ 8,630,792		\$ 8,630,792	
Increase (decrease)	1,912,182		1,912,182	
As restated	\$10,542,974		\$ 10,542,974	\$ 11,050,629
	=====		=====	=====

NOTE 24 – SUBSEQUENT EVENTS

In accordance with State statute 59-130-35, the Remley's Point property was offered for sale August 27, 2000 by way of sealed bidding at a minimum bid of \$3,200,000. The sealed bid opening was September 22, 2000. One bid was accepted for not less than the minimum bid. A contract of sale is expected to be executed with a closing ninety days thereafter.

The State Budget and Control Board approved an exchange of College property with an adjoining property owner. The exchange is expected to occur in fiscal year 2001.

